
Department of Education

Introduction

Article IX of the Colorado Constitution places responsibility for the general supervision of the State's public schools with the Colorado State Board of Education (the Board). The Department of Education is directed by the Commissioner of Education and serves as the administrative arm of the Board, providing assistance to local education agencies and implementing administrative rules. The Department's mission is to "provide leadership and service to Colorado's education community and, through collaboration with this community, to promote high quality learning environments, high academic performance standards, and equitable learning opportunities for all Colorado's diverse learners."

The Department's mission is carried out by the following units:

- **Office of the Commissioner.** Provides for state-level leadership of public education in Colorado, as well as the administrative support services of the Department.
- **Educational Services.** Develops and improves the administrative capabilities of local school districts, as well as provides for the accreditation process of the school districts.
- **Management, Budget, and Planning.** Manages all resources for the Department, both financial and human resources.
- **Professional Services.** Administers the Educator Licensing program and the Professional Education program for the Department.
- **Special Services.** Ensures the provision of services to traditionally underserved populations including low-income children, children with disabilities, migrant children, preschoolers and infants, and children at risk of dropping out of school or being expelled. Special Services also oversees the programs at the Colorado School for the Deaf and the Blind.
- **State Library and Adult Education.** Oversees programs that aim to provide leadership in adult education and library communities and to develop, promote, and deliver lifelong learning opportunities.

- **Colorado School for the Deaf and the Blind.** Provides comprehensive educational services to students who are deaf and/or blind.

The following comment was prepared by the public accounting firm of KPMG LLP, who performed audit work at the Department of Education.

During our audit we found the Department, in general, has satisfactory internal control over the administration of federal programs and financial processes in accordance with the requirements of the Single Act Amendments of 1996 and the Office of Management and Budget Circular A-133. We identified one area where control could be further improved—formalizing the subrecipient monitoring process.

Develop a Formal Plan for Monitoring Subrecipients of Federal Funds

The Single Audit Act Amendments of 1996 (the Amendments) changed the threshold for requiring audits of recipients of federal funds and clarified the responsibility that recipients of federal awards have for monitoring entities to which they pass federal funds. The Department has not yet altered its subrecipient monitoring procedures in response to the Amendments.

The U.S. Office of Management and Budget Circular A-133, Subpart D, states that the Department, a pass-through entity, is responsible for:

- Monitoring subrecipients' activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements.
- Ensuring required audits are performed and requiring the subrecipients to take prompt corrective action on any audit findings.
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

The Department passed through almost \$187 million to approximately 450 subrecipients (excluding other state agencies) during Fiscal Year 1998. The Department's primary method of monitoring a subrecipient's compliance with federal requirements involved obtaining the subrecipient's Single Audit Report and evaluating any findings contained therein. Prior to the Amendments, government entities that received more than \$100,000 in federal funds were required to have an annual audit in compliance with the Single Audit Act. However, the Amendments raised the

threshold for requiring a Single Audit to \$300,000. As a result, some entities to which the Department passes federal funds may no longer be required to have an annual Single Audit performed. The Department has not yet determined the number of entities who no longer meet the Single Audit threshold.

When a Single Audit Report is not required, a pass-through entity must perform other procedures in order to obtain reasonable assurance that the subrecipient is administering federal awards in compliance with federal requirements. Procedures that may be performed include:

- Reviewing subrecipient grant reports and other documents.
- Conducting site visits to review financial and programmatic records and to observe operations.
- Arranging the performance of agreed-upon procedures of certain areas.

The selection of one or more of the procedures above should be made in light of the size of the subaward to the subrecipient, the experience of the subrecipient, the complexity of the compliance requirements, and the cost of the monitoring procedures.

The Department has not developed a formal plan that incorporates the procedures discussed above for monitoring each of its subrecipients. Without such a plan in place, the Department cannot obtain reasonable assurance that subrecipients are administering federal awards in compliance with federal requirements. We recommend that the Department develop a formal plan for monitoring each of its subrecipients.

Recommendation No. 6:

The Department of Education should strengthen its internal controls over subrecipient monitoring by:

- a. Determining which of its subrecipients are no longer subject to Single Audit requirements.
- b. Developing a formal plan for monitoring each subrecipient, particularly those that are no longer subject to the requirements of an annual Single Audit.

Department of Education Response:

Agree. For Fiscal Years 1998 and 1999, the Grants Unit will use information submitted by districts and BOCES (Boards of Cooperative Education Services) on their CDE 3 reports to determine which local education agencies (LEAs) fall below the audit threshold. Those LEAs will be requested to submit additional documentation, if appropriate, to determine whether all expenditures were allowable under the specific grant fiscal requirements.

Once all districts and BOCES have successfully transmitted their financial data using the new chart of accounts, the Grant Unit and School Finance Unit will begin working with a pilot group of district/BOCES business managers and grants managers to determine what, if any, changes need to be made to the information currently submitted to assure that the new chart of accounts provides adequate information to the Department to review their federal expenditures in a more comprehensive manner. This process will be in place with the submission of Fiscal Year 2000 reports.
